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C O N F I D E N T I A L ZAGREB 001927

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TAGS: PREL PGOV PBTS ECON HR

SUBJECT: TIME RUNNING OUT FOR AGREEMENT ON PLOCE PORT

REF: 02 ZAGREB 01295

Classified By: POLOFF DARREN TAYLOR: REASON 1.5 (B) AND (D)

SUMMARY

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¶1. (C) PM Racan has vowed that Croatia will ratify the Ploce Port Agreement by the end of September despite continued local and parliamentary opposition to the agreement. GOC and GOBiH have met frequently in recent weeks to try to reach a compromise that would provide Croatia the political cover to move forward on ratification. Results have been encouraging, but some stumbling blocks remain after the BiH side recently voiced concerns that the new annex negotiated by the two governments did not go far enough in addressing its concerns over the method for settling future disputes. The Acting Head of the Neighboring Relations Department, Davor Vidis, was not optimistic: he told us that Racan appears determined to bring the Ploce issue to closure, but it was too early to tell if parliament would ratify the agreement anytime soon. There is growing concern that the window of opportunity to resolve the Ploce Port issue is closing as election season heats up. End Summary.

Progress on Ploce Port Agreement

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¶2. (C) While on an official trip to BiH in July, PM Racan declared that the Ploce Port agreement, first signed in 1999, would be resolved by the end of September. In agreeing to an annex, GOC and GOBiH officials have eliminated the international arbiter called for in the original agreement. This was a central issue for the GOC because of concerns that the international arbiter would be part of a seven-person commission overseeing the port's activities, and would theoretically be able to cast the deciding vote when disputes arose. The Croatians have balked because this would give a foreign mediator the right to make final decisions about a Croatian Port on Croatian territory -- in their view infringing on Croatia's territorial sovereignty. Racan and Picula were certain that parliament would not ratify the agreement in its current form and without an annex.

But Time Running Out

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¶3. (C) "The window of opportunity for a final agreement on the Ploce Port is closing fast." This is what the Acting Head of the Neighboring Relations Department Davor Vidis told us when we met with him on August 27. Vidis claimed that GOC officials accompanying Racan on the BiH visit were surprised by his declaration because of continued local and parliamentary opposition to the agreement. His reference to the shrinking window of opportunity to resolve Ploce is linked to the recent snag in the negotiations. Last week, a member of the BiH presidency rejected the newly negotiated annex to the current agreement because it did not contain a specific deadline for the ratification of the agreement and final procedures for establishing a commission to resolve possible future disputes over management of the port. Vidis said that GOBiH appeared to be backtracking on the annex.

¶4. (C) Vidis predicted that, if the Ploce Port Agreement were not resolved within the next three weeks, it would languish until next spring -- well after Croatia's elections. Foreign policy issues, he said, would not receive much attention during the campaign, and Ploce was in any case too divisive. He commented that key parliament officials, including Deputy Speaker of the Parliament Tomac, who strongly opposed ratifying the agreement in its current form, have not indicated whether they would support ratifying the Ploce agreement if it contained a new annex. He noted that HSLS president Budisa was already causing problems by voicing his opposition to the agreement even if it contained the annex.

The GOC Strategy

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¶5. (C) Vidis said the GOC strategy will be to lay low on the Ploce issue to allow for a "cooling off" period. He stated that the GOC would then try to resurrect negotiations in a low-key fashion with the hopes of addressing GOBiH concerns and reaching a final agreement. The GOC would then seek to

have parliament ratify the agreement through urgent procedure. If this strategy failed, Croatia would have no other option except to allow the new government to try to resolve the issue. He noted that local opposition in Ploce to ratifying the agreement was hardening, which is also complicating matters and leaving the GOC little room to

maneuver. Political leaders in Ploce continued to lobby key members of parliament against the agreement. He was not optimistic that the GOC strategy would prevail but said that the GOC had limited options.

Comment

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**16. (C)** The Ploce Agreement was politically sensitive even before Croatia's disagreement with Slovenia over declaration of an Exclusive Economic Zone turned up the political heat on border issues. In the current environment, we expect Racan to back away from his declaration that he will secure Ploce ratification in September and that this issue will languish until the next government takes it up. During our meeting, Vidis seemed desperate to reach a final agreement with the GOBiH before elections. While stressing that the GOC would do its part to reach an agreement in the next few weeks, Vidis was not convinced that GOBiH officials shared the same sense of urgency, particularly since the BiH parliament has already ratified the agreement.

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